**TIEN WAH PRESS HOLDINGS BERHAD**
**(CO. NO. 340434-K)**

**Notes to the Interim Financial Statements for the quarter ended 31 March 2012**

## A. DISCLOSURE REQUIREMENTS AS PER FRS 134

### A1. Basis of Preparation

These condensed consolidated interim financial statements have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRS") that is MFRS 134: Interim Financial Reporting and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. These condensed reports also comply with IAS 34: Interim Financial Reporting. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2011.

These Condensed Reports are the Group's first MFRS compliant Condensed Report and hence MFRS1: First-Time Adoption of Malaysian Financial Reporting Standards (MFRS1) has been applied.

The date of transition to the MFRS framework is on 1 January 2011. At that transaction date, the Group reviewed its accounting policies and considered the transitional opportunities under MFRS 1. The MFRS did not result in any financial impact to the Group other than the financial impact arising from the changes in accounting policy. The impact of the transition from FRS to MFRS is described in Note A2.1 below.

### A2. Significant Accounting Policies

A2.1 Application of MFRS 1

The audited financial statements of the Group for the year ended 31 December 2011 were prepared in accordance with Financial Reporting Standards ("FRS"). As the requirements under FRS and MFRS are similar, the significant accounting policies adopted in preparing the condensed report are consistent with those of the audited financial statements for the year ended 31 December 2011 except as described below:-

*Property, plant and equipment*
Under FRSs, the Group measured its land and buildings at valuation. The last valuation was carried out on 31 December 2011. Upon transition to MFRSs, the Group elected to apply the optional exemption to use that fair value at the date of transition as deemed cost under MFRSs. The revaluation reserve at 1 January 2011, 31 March 2011 and 31 December 2011 was reclassified to retained earnings.

The impact arising from the change is summarised as follows:-

| **Consolidated statement of profit or loss and other comprehensive income** | **31 Mar 2011 RM'000** | **31 Dec 2011 RM'000** |
|---|---|---|
| Cost of sales expenses - additional depreciation | (18) | (74) |
| Administrative expenses - additional depreciation | (38) | (153) |
| Other expenses - impairment loss from revaluation of land and building | - | 1,333 |
| Adjustment before tax | (56) | 1,106 |
| Related tax effect | 10 | 41 |
| Adjustment after tax | (46) | 1,147 |
| Non-controlling interests | - | (645) |
| Adjustment after tax and non-controlling interests | (46) | 502 |

| Consolidated statement of financial position | 1 Jan 2011 RM'000 | 31 Mar 2011 RM'000 | 31 Dec 2011 RM'000 |
|---|---|---|---|
| Property, plant and equipment | 5,713 | 5,656 | (227) |
| Related tax effect | (296) | (286) | 41 |
| Reversal of revaluation reserve | 4,878 | 4,878 | 17,260 |
| Non-controlling interests | 645 | 645 | - |
| Adjustment to retained earnings | 10,940 | 10,893 | 17,074 |

A2.2 MFRs, Amendments to MFRSs and IC Interpretation

At the date of authorisation of these interim financial statements, the following MFRSs, Amendments to MFRSs and IC Interpretation were issued but not yet effective and have not been applied by the Group:-

***MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2012***

- Amendments to MFRS 101, *Presentation of Items of Other Comprehensive Income*

***MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2013***

- MFRS 10, *Consolidated Financial Statements*
- MFRS 11, *Joint Arrangements*
- MFRS 12, *Disclosure of Interests in Other Entities*
- MFRS 13, *Fair Value Measurement*
- MFRS 119, *Employee Benefits*
- MFRS 127, *Separate Financial Statements*
- MFRS 128, *Investments in Associates and Joint Ventures*
- IC Interpretation 20, *Stripping Costs in the Production Phase of a Surface Mine*

***MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2014***

- Amendments to MFRS 132, *Offsetting Financial Assets and Financial Liabilities*

***MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2015***

- MFRS 9, *Financial Instruments (IFRS 9 issued by IASB in November 2009 and October 2010)*

A2.3 Change in Accounting

During the 3rd quarter 2011, a subsidiary changed its accounting for exchange differences arising from the partial repayment of a loan obtained to finance its acquisition and investment in a wholly owned subsidiary. To reflect this accounting change, 1st quarter 2011 financial results have been restated. In the previous quarters, the exchange differences arising from the partial repayment of the said loan were charged to the income statement. However, in applying FRS 139: Financial Instruments, these exchange differences would remain in foreign currency translation reserve, until the investment is disposed or partially disposed. The change was made because, in the opinion of the directors of the subsidiary and TWPH, it would result in a fairer presentation of the results of the operations of the subsidiary and the Group.

The financial impact amounting to RM1.073 million has been adjusted to the Group's 1st quarter 2011 financial statement as follows:-

| Profit for the period | 1st Quarter ended 31 March 2011 RM'000 |
|---|---|
| As previously stated | 4,000 |
| Effect of applying hedge accounting | 1,073 |
| As restated | 5,073 |

**A3. Audit Report Qualification and Status of Matters Raised**

The audit report of the preceding annual financial statements was not qualified.

**A4. Seasonal or Cyclical Nature of Operations**

The quarterly financial results were not affected by seasonal or cyclical factors of operations.

**A5. Items of Unusual Nature**

There were no unusual items affecting assets, liabilities, equity, net income or cash flows for the current financial year-to-date.

**A6. Changes in Estimates of Amounts Reported**

There were no changes in estimates of amounts reported in prior financial year that have a material effect in the current financial year-to-date under review.

**A7. Changes in Debt and Equity Securities**

For the financial year-to-date, there were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities.

**A8. Dividends Paid**

No dividend was paid during the three months ended 31 March 2012.

**A9. Operating Segment**

The Group has three reportable segments, as described below which are the Group's strategic business units which reflect the Group's management structure and the way financial information is regularly reviewed by the Board of Directors.

The following summary described the operations in each of the Group reportable segments:

Gravure printing: Rotogravure printing specialising in cigarette cartons and packaging services in general.

Litho printing: Photo-lithography printing specialising in consumer goods packaging, carton converter and advertising materials.

Trading: Trading of cigarette packaging cartons.

For the three months ended 31 March

| | Gravure printing | | Litho printing | | Trading | | Total | |
|---|---|---|---|---|---|---|---|---|
| | RM ‘000 | RM ‘000 | RM ‘000 | RM ‘000 | RM ‘000 | RM ‘000 | RM ‘000 | RM ‘000 |
| | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 |
| **Revenue** | | | | | | | | |
| External revenue | 29,294 | 36,202 | 19,395 | 21,889 | 48,769 | 32,513 | 97,458 | 90,604 |
| Inter-segment revenue | 42,686 | 35,762 | 3,161 | 2,462 | 1,738 | 5,965 | 47,585 | 44,189 |
| Total revenue | 71,980 | 71,964 | 22,556 | 24,351 | 50,507 | 38,478 | 145,043 | 134,793 |
| Segment profit | 9,613 | 8,307 | 2,473 | 3,186 | 3,879 | 6,574 | 15,965 | 18,067 |
| Segment assets | 329,286 | 340,623 | 83,327 | 76,113 | 165,132 | 152,539 | 577,745 | 569,275 |

| **Reconciliation of reportable segment profit or loss** | 3 months ended 31/03/2012 | 3 months ended 31/03/2011 |
|---|---|---|
| | RM’000 | RM’000 |
| Total profit for reporting segments | 15,965 | 18,067 |
| Other non-reportable segments | (1,455) | (302) |
| Elimination of inter-segment profits | 1,756 | (4,080) |
| *Not included in the measure of segment profit but provided to the Board of Directors* | | |
| Depreciation and amortization | (6,842) | (6,190) |
| Finance costs | (1,262) | (1,752) |
| Finance income | 376 | 210 |
| Share of profit of associate not included in reportable segments | 585 | 569 |
| Consolidated profit before tax | 9,123 | 6,522 |

**A10. Material Events Subsequent to the End of Quarterly Period**

There was no material events not reflected in the interim financial statements subsequent to the balance sheet date up to 2 May 2012.

**A11. Changes in the Composition of the Group**

There were no changes in the composition of the Group for the current quarter including business combination, acquisition or disposal of subsidiaries and long term investments, restructuring and discontinuing operations.

**A12. Changes in Contingent Liabilities**

As at 31 March 2012, the Company had issued proportionate corporate guarantees of AUD10.2 million in favour of MEIL for its external borrowings in respect of the AUD20.0 million credit facilities granted to enable MEIL to undertake and complete the acquisition of Anzpac Services (Australia) Pty Ltd. The amount outstanding as at 31 March 2012 was at AUD12.9 million.

As at 31 March 2012, the Company had unsecured guarantees to banks in respect of credit facilities granted to its subsidiaries (excluding MEIL) of RM38,000,000 and USD17,616,000 of which RM13,500,000 and USD15,193,000 have been utilised.

Except for the above-mentioned, there were no other contingent liabilities which are expected to have an operational or financial impact on the Group.

**A13. Inventories**

There was no write-down of inventory value for the current financial year-to-date.

**A14. Provision for Warranties**

There was no provision for warranties for the current financial year-to-date.

**A15. Capital Commitments**

| | 3 months ended 31 March 2012 RM'000 |
|---|---|
| Property, plant and equipment | |
| - Authorised but not contracted for | 16,504 |
| - Contracted but not provided for | 3,241 |
| | 19,745 |

**A16. Related Party Transactions**

The following transactions have been entered into with related parties that were necessary for the day-to-day operations in the ordinary course of business.

| | 3 months ended 31 March 2012 RM '000 |
|---|---|
| New Toyo International Holdings Ltd | |
| - Management fees | 552 |
| New Toyo International Co. (Pte) Ltd | |
| - Sales | (1,994) |
| - Purchases | 2,852 |
| Alliance Innovative Solutions Pte Ltd | |
| - Sales | (2) |
| - Purchases | 93 |
| New Toyo Aluminium Paper Product Co. (Pte) Ltd | |
| - Purchases | 56 |
| New Toyo (Vietnam) Aluminium Paper Packaging Co. Ltd | |
| - Purchases | 273 |

| | |
|---|---|
| Toyoma Non-Carbon Paper Manufacturer Sdn Bhd<br>- Rental of warehouse | 150 |
| Paper Base Converting Sdn Bhd<br>- Purchases | 22 |
| New Toyo Pulppy (Hong Kong) Ltd<br>- Outsourcing of sales administrative and accounting work | 65 |

## B. ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

### B1. Review of Performance

**Current Quarter against Previous Year Corresponding Quarter**

Revenue

For the first quarter ended 31 March 2012, the Group's revenue increased by 7.4% or RM6.7 million to RM97.5 million from RM90.8 million for the corresponding quarter in 2011. This growth was attributable to the increase in sales under a major customer's contract.

Significant change in accounting policies

With effect from 1 January 2012, the Group had converged to the MFRS accounting framework, which is equivalent to International Financial Reporting Standards (IFRS) framework issued by the International Accounting Standards Board (IASB). A major consequence of this transition to the MFRS framework was the change in the accounting policy, which was adopted with retrospective effect.

The first quarter ended 31 March 2011 financial results was restated to reflect the accounting changed for exchange differences arising from the partial repayment of a loan obtained to finance its acquisition and investment in a wholly owned subsidiary which took place in 3rd Quarter 2011 as stated in A2.3.

As a result of the above change in accounting policy, the comparative results for the 1st quarter 2011 have been restated as follows:-

| Profit before tax | 1st Quarter ended 31 March 2011 RM'000 |
|---|---|
| As previously stated | 5,505 |
| Effect of applying hedge accounting | 1,073 |
| As restated | 6,578 |

Profit before tax

Profit before tax for the first quarter ended 31 March 2012 stood at RM9.1 million was higher by RM2.6 million as compared to the preceding year corresponding quarter of RM6.5 million (restated). The better result was driven by higher sales from the Group's gravure printing segment. The first quarter 2012 results were impacted by a provision of RM1.27 million performance bonus to the former Chief Executive Officer, Mr Yen Wen Hwa who retired on 31 December 2011.

Performance of the respective operating business segments for the first quarter ended 31 March 2012 as compared to the preceding year corresponding quarter is analysed as follows:-

1. Gravure printing – Pre-tax profit increased from RM4.3 million to RM5.1 million, mainly due to higher revenue from the tobacco packaging contributed by stronger sales from the launching of new products for our customer's markets in the Asia Pacific.

2. Litho printing – Pre-tax profit decreased by RM0.8 million or 40.6% to RM1.2 million, mainly due to the lackluster performance of its non-tobacco business.

3. Trading – Pre-tax profit (before elimination of inter-segment profits) decreased by RM2.1 million or 38.9% to RM3.3 million due to no dividend received during the current quarter.

**B2. Variation of Results against Preceding Quarter**

For the current quarter under review, the Group's revenue decreased marginally from RM98.0 million to RM97.5 million as compared to the preceding quarter. The reduction of RM0.5 million was mainly due to lower sales from Litho printing segment.

Profit before tax increased marginally by RM0.2 million or 2.2% to RM9.1 million as compared to RM8.9 million for the preceding quarter. The better profit was due to continuous improvement in operational efficiencies.

**B3. Current Year Prospects**

Global economic conditions in 2012 are expected to remain problematic and we foresee that this will slow down growth in Asia's markets accordingly.

Despite the challenging operating environment, the industry that our key customers are involved in remains resilient. With the available capacity and expertise knowledge, we will be able to meet the sales requirements of our key customers as well as to seize new business opportunities.

The Tobacco Plain Packaging Act 2011 received Royal Assent on 1 December 2011 and all tobacco companies are to supply plain packaging carrying graphic health warnings to the Australian tobacco effective 1 December 2012. This issue is now being challenged through the High Court in Australia and the Group is not expected to be affected significantly considering the late 2012 implementation date.

The Group continues to be exposed to the impact from foreign currency fluctuations from operations which will be largely mitigated by transacting in the operating units local currencies.

With the machine capacity investments completed in 2011, the Directors are of the opinion that the outlook for 2012 remains positive. The Group looks forward to stability in demand arising from key customers and at the same time actively pursuing for new market opportunities.

**B4. Profit Forecast**

None.

**B5. Tax Expense**

| | 1st Quarter ended 31 March | | 3 months ended 31 March | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Income tax expense | | | | |
| - Current year | 1,501 | 1,718 | 1,501 | 1,718 |
| - Prior year | - | (44) | - | (44) |
| Deferred tax | 1,501 | 1,674 | 1,501 | 1,674 |
| - Origination and reversal of temporary differences | 269 | (239) | 269 | (239) |
| - Prior year | - | 60 | - | 60 |
| | 1,770 | 1,495 | 1,770 | 1,495 |

The Group's effective tax rate for the three months ended 31 March 2012 was lower than the Malaysian statutory tax rate of 25% due to effects of lower tax rates in certain tax jurisdictions and effects of certain foreign sourced income which are not subject to tax during the financial year under review.

**B6. Status of corporate proposals announced**

The Group does not have any corporate proposal which have not been completed as at the date of this announcement.

**B7. Borrowings and Debt Securities**

| | As at 31 March 2012 | | |
|---|---|---|---|
| | RM'000 Secured | RM'000 Unsecured | RM'000 Total |
| *Short-term borrowings* | | | |
| Borrowings – Term Loans | 2,374 | - | 2,374 |
| Borrowings – Revolving Credits | 6,055 | 5,703 | 11,758 |
| Borrowings – Working Capital | 2,829 | 34,346 | 37,175 |
| Sub-totals | 11,258 | 40,049 | 51,307 |
| *Long-term borrowings* | | | |
| Borrowings – Term Loans | 1,899 | - | 1,899 |
| Borrowings – Revolving Credits | 35,056 | 13,505 | 48,561 |
| Sub-totals | 36,955 | 13,505 | 50,460 |
| Grand total | 48,213 | 53,554 | 101,767 |

Secured short-term and long-term borrowings due to the banks were secured by inventories and tangible fixed assets of APT, shares of Anzpac Services (Australia) Pty. Ltd and assignment of future proceeds by MEIL from the disposal of land and buildings owned by Anzpac.

Group's borrowings in Ringgit Malaysia equivalent analysed by currencies in which the borrowings are denominated were as follows:-

| | As at 31 March 2012 | |
|---|---|---|
| | *Long- term borrowings* RM'000 | *Short-term borrowings* RM'000 |
| Ringgit Malaysia | - | 13,500 |
| Australian Dollar | 35,056 | 6,055 |
| United States Dollar | 15,404 | 31,752 |
| Total | 50,460 | 51,307 |

**B8. Derivatives**

As at 31 March 2012, there were no forward foreign exchange contracts for purchase or sale.

**B9. Changes in Material Litigation**

As at the date of issuance of this quarterly report, the Company was not engaged in any material litigation.

**B10. Dividends**

The directors do not recommend any interim dividend for the three months ended 31 March 2012.

**B11. Earnings per share**

*a) Basic earnings per share*

The calculation of basic earnings per share is based on the net profit attributable to ordinary shareholders over the weighted average number of ordinary shares outstanding.

| | 3 months ended 31/03/2012 | 3 months ended 31/03/2011 |
|---|---|---|
| | RM'000 | RM'000 |
| Profit attributable to equity holders of the Company | 4,020 | 3,178 |
| Weighted average number of ordinary shares in issue | 96,495 | 96,495 |
| Basic earnings per share (sen) | 4.17 | 3.29 |

*b) Diluted earnings per share*

Not applicable for the Group

**B12. Retained Profits**

Total retained profits of the Group and its subsidiaries:-

| | As at 31/03/2012 | As at 31/12/2011 |
|---|---|---|
| | RM'000 | RM'000 |
| Realised | 256,596 | 243,077 |
| Unrealised | (32,547) | (7,839) |
| Total retained profits | 224,049 | 235,238 |
| Total share of retained profits of associate | | |
| Realised | 10,863 | 10,160 |
| Unrealised | (704) | (586) |
| Total retained profits | 10,159 | 9,574 |
| Consolidated adjustments | (129,349) | (143,973) |
| Total retained profits | 104,859 | 100,839 |

**B13. Auditor's Report on Preceding Annual financial Statements**

The auditor's report on the audited annual financial statements for the financial year ended 31 December 2011 was unqualified.

**B14. Additional Disclosures**

| | Current Quarter Ended 31/03/2012 | 3 months Ended 31/03/2012 |
|---|---|---|
| | RM'000 | RM'000 |
| Profit for the period is arrived at after charging:- | | |
| Amortisation of intangible assets | 1,014 | 1,014 |
| Depreciation of property, plant and equipment | 5,828 | 5,828 |
| and after crediting:- | | |
| Net foreign exchange gain | 19 | 19 |
| Gain on disposal of property, plant and equipment | 91 | 91 |

Other than the above, there was no impairment loss on trade receivables, gain or loss on disposal of quoted or unquoted securities or investments, gain or loss on derivatives and exceptional items included in the results for the current quarter and financial year ended 31 March 2012.